Industrial Distribution

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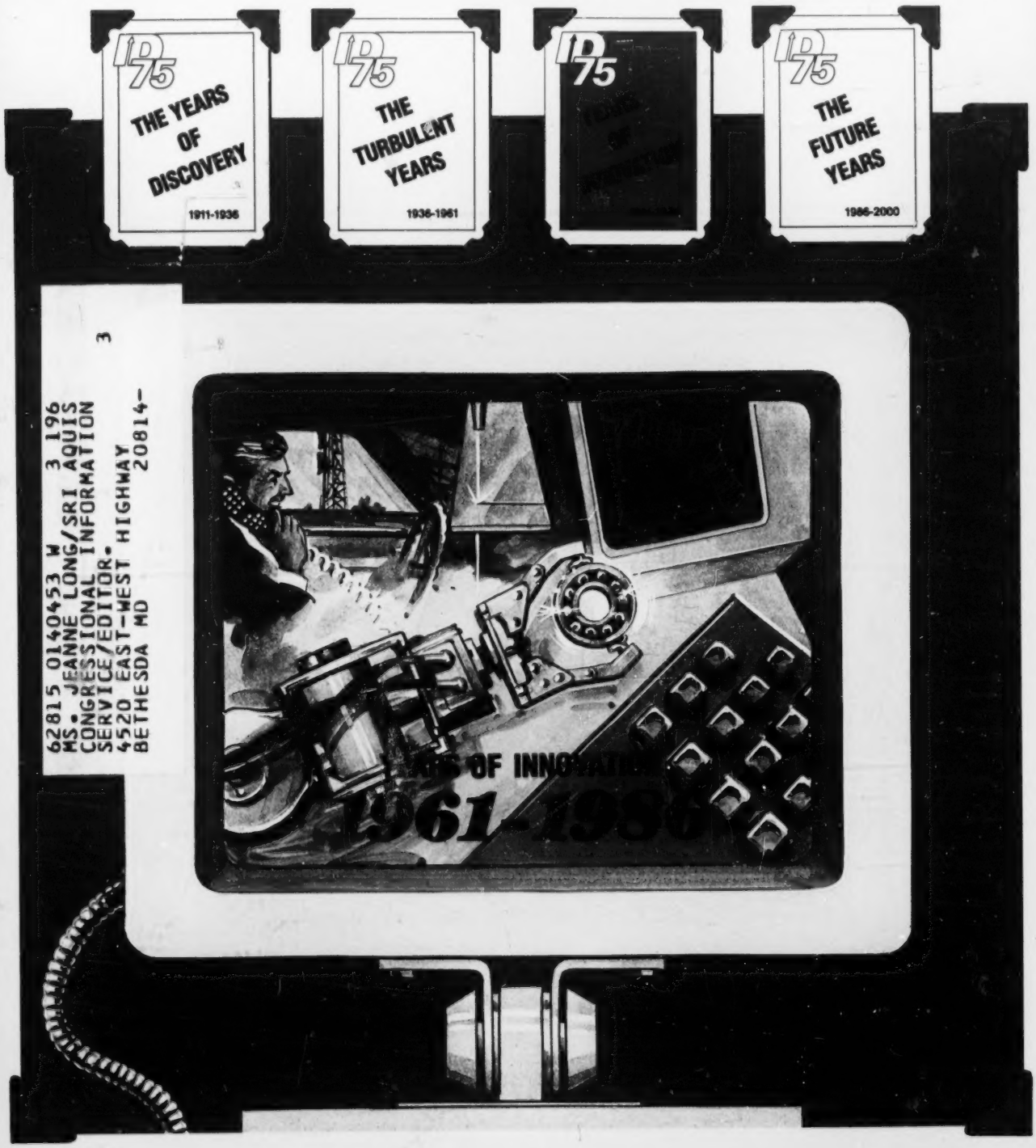
August 1986

Hotline:
Performance data show specialists have edge over general liners

Review: **Maintenance Equipment & Supplies**



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INDUSTRY NEWS
United Technologies Corp. solicits distributor participation in new consolidated purchasing program; Gates Rubber pays $125 million for Uniroyal belt business; Goodall Rubber acquires Republic Hose; Taylor, Regal-Beloit founder and chairman, retires after 31 years; PT manufacturers see growth in high technology; Gerstener to market through Kennedy Manufacturing Co.

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Indicators...

Current data from the three key organizations for the latest reporting period continued to be inconclusive with two associations reporting marginal declines and one reporting a modest gain...The NIDA/SIDA *Industrial Distribution Index* on a national basis fell 1.2 points in May from the previous month. Regionally, the East gained 1.6 points while the Midwest and West suffered small drops of 1 point and 0.4 point respectively. The bulk of the loss was experienced in the South which retreated 4.2. In a May '86/May '85 comparison, last year's numbers were superior in every region-...SIDA's association-wide *Monthly Sales Trend Report* for the month of April vs. March showed an increase of 3.26 spurred by a torrid 15.12 gain in SIDA Area III which comprises AL, KY, MS, and TN. SIDA Area II (FL, GA, SC, Puerto Rico) also turned in a 6.92 improvement over March. Of the remaining two SIDA regions, Area IV (AR, LA, OK, TX) declined a miniscule 0.42 while Area I (NC, VA, WV) dropped 2.11. Despite these respectable numbers, SIDA's April '86 figures are off 3.13 from April of '85...ASMMA's *New Order Index* for April dropped .4 points or .3% from March. The latest figure continues the slow decline from the peak of 129.1 of August 1984. With the exception of 115.9 registered in December '84, April represents the lowest number since 1983...the National Welding Supply Assn. *Welding Supply Index* for May dropped to 203.1 from 216.9 in April for a 6.4% loss. Although '86 year-to-date figures show a 1.5% improvement over '85, the current index compares unfavorably with May '85...the American Machine Tool Distributors' Assn. *Total Index* for May dropped to 103.0 points from the April level of 111.6 for a 7.7% loss.

than 70% of sales are made through distributors.

- 77 % of manufacturers said they use selective distribution while only 2% rely exclusively on distribution. 25% report multiple distribution.
- Approximately 85% of manufacturers allocate some funds to distributor training versus 15% who do not.
- Among those distributors' qualities manufacturers see as *most important* are: sales volume, loyalty and product knowledge.

The complete PTDA survey is available to non-members for $50. For infor-

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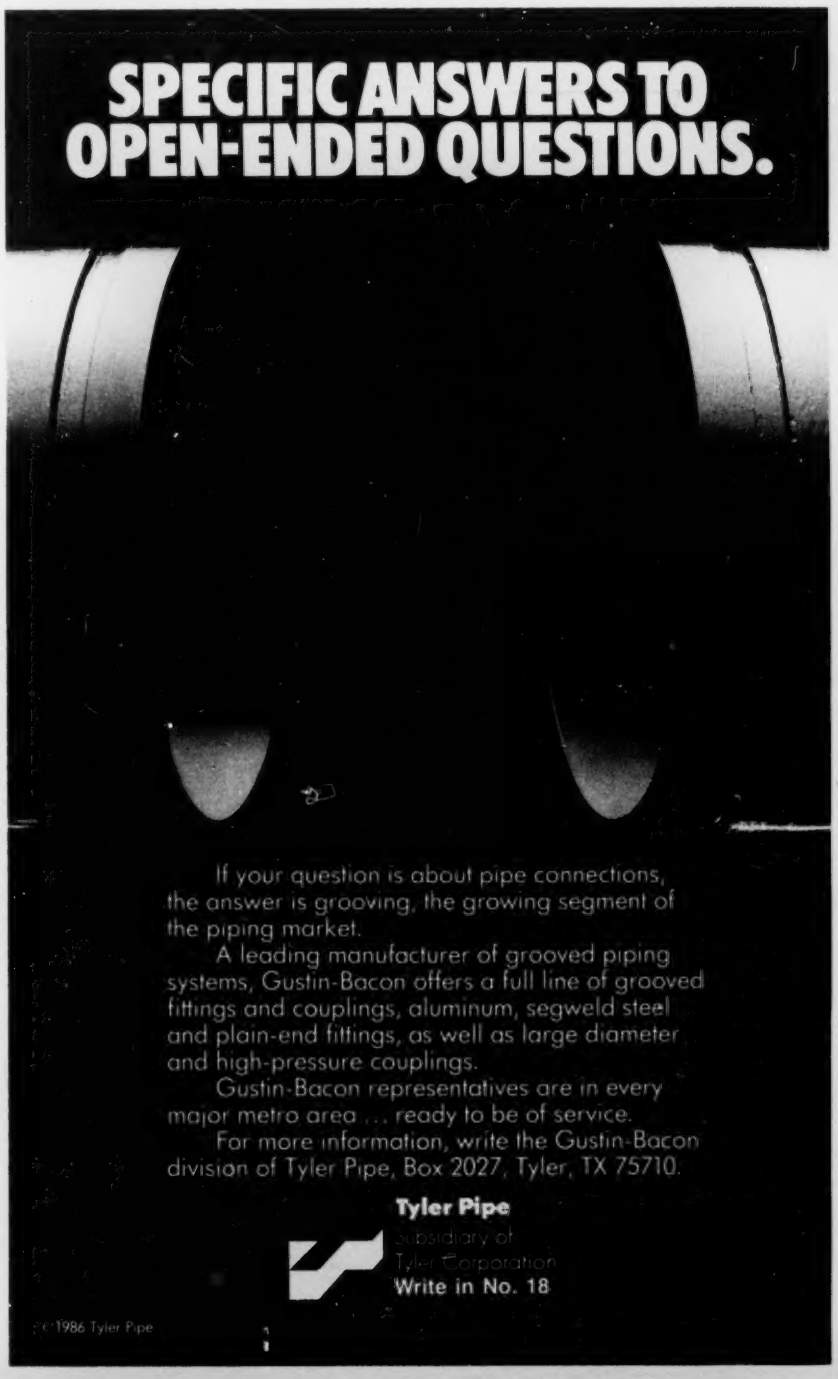
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BUSINESS REPORT

Ready for action

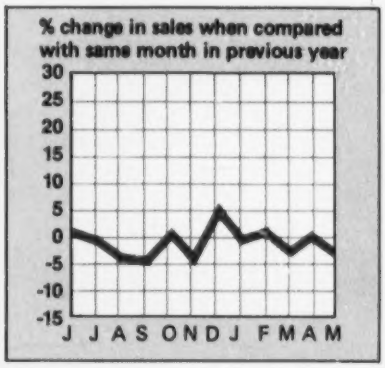
A further reduction in overhead for industrial distributors is made possible by yet another cut in the discount rate followed by cuts in the prime lending rate. The *Consumer Price Index*, largely because of the continuing drop in energy costs, is sharply negative, thus labor costs, tied to this and other indexes, continue to be well under control. Additionally, productivity continues to rise as distributors computerize and pare labor costs. Result: distributors are ready for action, perhaps more than they have been in quite some time. All they need is the increase in business forecasters have been promising is *right around the corner* since late last year.

While sales in 1985 were by no means robust, that year was regarded as more of a holding action, a rest period after 1984's rapid growth, in anticipation of better sales in 1986. However, with two-thirds of 1986 behind us, we have so far seen, with few regional exceptions, an erosion of sales.

In the Middle Atlantic region, distributors saw a slow but still profitable first quarter; however, second quarter sales have turned down and with the summer months a traditionally slow selling time, little hope is held for a turnaround in sales, until the last quarter of this year, or possibly the first quarter of 1987, at the earliest.

Distributors serving the Atlantic coast marine industry in the area of power transmission products have been especially hard hit due to the slack demand in oil imports as tanker fleets have been substantially reduced. For their product sales as well as expertise in the replacement and repair of pumps and compressors, many of these distributors have turned to the already crowded construction market for their business.

Nationally, sales were down 3% in May compared to the same month last year, with month-to-month comparisons, a more immediate trend indicator, showing a decline of 5%. Cumulative comparisons (1st 5 months of '86 vs.'85), which had been up, has also turned down. Receivables are holding at the 40 day level. **Milt Ellenbogen**



RECEIVABLES*

	May '86 Gen.	May '86 Spec	vs. May '85 Gen.	May '85 Spec.
New England	43	47	46	45
Middle Atlantic	43	46	44	43
South Atlantic	36	37	35	37
East No. Central	41	40	39	41
East So. Central	38	33	38	33
West No. Central	40	43	38	38
West So. Central	—	42	—	38
Mountain	37	39	37	46
Pacific	39	40	41	39
National	40	41	40	40

* Average days outstanding

SALES BY REGIONS (% change)	May '86 vs. Apr.'86 Gen.	Spec.	Both	May '86 vs. May '85 Gen.	Spec.	Both	1st five months'86 vs. 1st five months'85 Gen.	Spec.	Both
NEW ENGLAND: CT, RI, MA, NH, VT, ME	−17	−8	−12	−13	−9	−11	−10	−6	−8
Connecticut	—	−18	—	—	0	—	—	−4	—
Massachusetts	−7	—	—	−5	—	—	−3	—	—
MIDDLE ATLANTIC: NY, NJ, PA	−17	−9	−10	−3	−12	−11	−4	+2	+1
New York Metropolitan Area	−10	−11	−11	−18	−14	−15	—	−2	—
Upstate New York	—	−14	—	—	−11	—	—	0	—
Pennsylvania	−5	−5	−5	+6	−11	−9	+3	−14	−12
SOUTH ATLANTIC: DE, DC, MD, FL, GA, NC, SC, VA, WV	−7	+6	−2	−12	−8	−11	−6	−8	−7
Georgia-Florida	−8	+10	+1	−8	−11	−10	−8	−8	−8
EAST NORTH-CENTRAL: OH, IN, IL, MI, WI	−7	+3	−3	−17	−3	−11	−3	+3	0
Indiana	−4	—	—	+3	—	—	+4	—	—
Wisconsin	—	+7	—	—	−5	—	—	0	—
Chicago	—	—	—	—	—	—	—	—	—
Michigan	−25	−8	−14	−10	−8	−9	−1	+6	+3
Ohio	−9	+10	−1	−19	−2	−12	−10	+2	−5
EAST SOUTH CENTRAL: AL,MS, KY, TN	−4	−12	−10	+10	−17	−9	+4	−6	−3
WEST NORTH CENTRAL: MN, ND, SD, IA, NE, KS, MO	−9	−2	−7	−16	+7	−11	−10	−1	−8
WEST SOUTH CENTRAL: AK, LA,OK, TX	−10	+6	−1	−6	−9	−8	−3	−10	−8
Texas	—	+2	—	—	−11	—	—	−10	—
MOUNTAIN: NM, AZ, CO, UT, NV, WY, MT, ID	−7	+4	−3	−9	−3	−7	0	+18	+7
PACIFIC: CA, OR, WA	−5	−3	−4	+4	+5	+4	+4	+3	+4
L.A.-San Diego	—	—	—	—	—	—	—	—	—
Oregon-Washington	+2	−4	−1	−3	+12	+5	+4	+10	+7
U.S. TOTALS	−8	−2	−5	−6	−5	−3	−3	0	−2